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Chief of Logistics

Assistant Director for Communications

Price Increase for RS-6 Radio Sets (Contract PSC-148-UNV)

REFERENCE: ADCO's Memorandum to Chief of Logistics dated 9 December 1953

1. The referenced memorandum outlined our position with respect to a request from . for an increase in price of the RS-6 radio equipment. By that memorandum, we approved an increase of $47,337.63 for changes caused by TAR Nos. 4, 5, 6, 7, and 13, since these changes were definite increases in the contract's scope. The contractor's request for an increase, substantiated by TAR No. 14, was referred to your office for arbitration since no increase in scope was involved. 25X1

2. It is our understanding that an agreement in which you have approved an increase in price of $116,333.70 to compensate the contractor for the additional work performed under TAR No. 14, has now been reached with This increase together with the increase of $47,337.63, which we have approved but for which we have not forwarded a requisition, amount to a total price increase of $163,671.33. 25X1

3. To cover the increase in costs which have been determined by your office and the increase approved by our referenced memorandum, we are forwarding requisition No. MSB 54-485 recommending that funds in the total amount above be made available from allotment No. 4-6895-10.

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Attachment: MSB 54-485

RDL

Coordination:
OC-P (RDL)

OC-E/R&D-EP/JCB/mlk 18 June 1954

cc: R&D PSC-148-UNV File
MSB
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in this respect. In considering any reimbursement, it should be realized that the $9.25 requested by the manufacturer includes rework costs for equipment found defective at this or subsequent test positions.

The same philosophy applies to this rework problem as that outlined in the next paragraph in connection with the second part of TAR 14.

4. The second part of TAR No. 14 requests an increase of $20.44 per set based on the fact that greater time is required at inspection positions. The justification is contained in Paragraph 2 of the TAR. In arriving at this cost, it is understood that the contractor made a time study of each inspection and testing position associated with the production line. The "hours per set increase" arrived at by this method included not only the normal time required for one specific set to be properly inspected, but it also included additional time required if the set was rejected at any point along the line or in final Naval inspection, and had to be sent back for reworking and then re-inspected when it went through the line for the second time. It should be noted that during a portion of the time encompassed by this study, the rejection rate of sets was as high as 30%, thus materially increasing the "average number of hours required per set".

5. Since Contract PSC-148 is a fixed price contract subject to revision downward only, certification for payment cannot be made by this office unless an increase in scope of the contract is definitely established. Since the contractor, prior to his bidding on the 5,361 sets in question, had production experience in the manufacture of 500 RS-5X's and since a specification mutually acceptable to both parties had been formulated, it is believed that the contractor was in a position to submit a realistic proposal. This the contractor did, and it was accepted by the Agency prior to the manufacture of any of the sets in question. The contract stipulates that production units are required to meet "Specification No. 50-A-1006A, dated 18 September 1950, entitled, "Specification for the Type RS-6 Radio Equipment" and Amendments Nos. I through VII thereto, and the approved production prototypes of the RS-6 Radio Equipment delivered under Contract HD-16, with the exception that the changes stated below shall be incorporated into the sets:

(a) Ground the shell of the battery-cable Jones plug.
(b) Reinstate high-frequency choke L-202.
(c) Bypass the high side of the low-frequency hash choke, L-201, with a 0.005 microfared ceramic capacitor to ground.
(d) Supply one (1) spare antenna current bulb with each set."

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Equipments received under this contract subsequent to approval of the specification and prototype approval have not differed materially from the original prototype except where covered by intervening TAR's. If there have been increases in the scope during this period, the manufacturer has only to submit additional TAR's covering these increases and they will be considered by this office. The manufacturer has been apprised of this fact on several occasions and, to date, has not submitted written documentation that any such increases took place.

6. It is only fair to say that in our opinion the contractor did, and had to do, the work outlined under TAR No. 14 in order to provide the Agency with satisfactory equipment. Since, in our opinion, no increase in scope to the contract is apparent in TAR No. 14, the problem of determining whether or not any relief is possible under the terms of the contract is being referred to your office for solution. The Engineering Division of the Office of Communications will render any assistance possible in this matter.

[redacted]
Deputy

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Enclosures: (1) Copy of [redacted] Letter dated 10 Sept. 1953
(2) Evolution of RS-6 Contract
(3) Copy of TAR No. 14

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OC-E/R&D-EP/JCB/ed 9 Dec 1953

Coordination:

OC-P (RDL)
R&D-PSC-148-UNV
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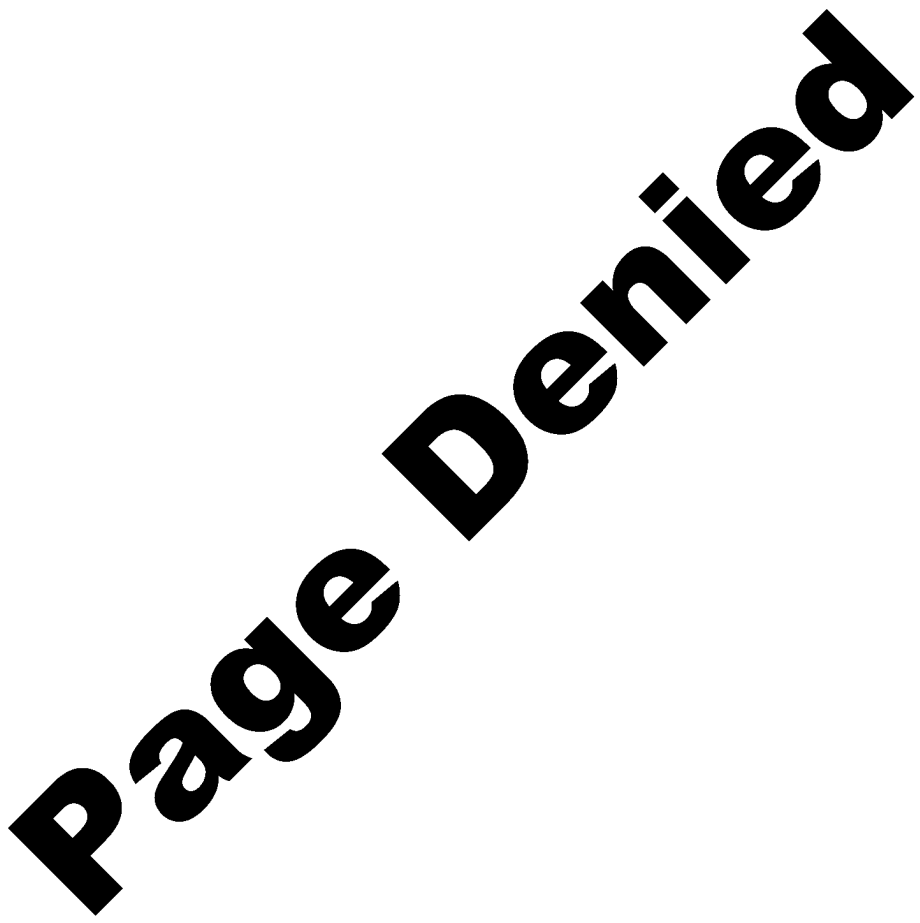

This set was immediately made available, along with a copy of the basic Specification No. 50-A-1006-A and Amendments 1 through 7, to the National Bureau of Standards in Washington, D. C., for evaluation, and the preparation of a report stating in detail whether or not the equipment met each and every test item. This report was received by the Engineering Division of the Office of Communications in November 1952. It stated that the prototype met the specification in all but a few respects.

The remaining four RS-6 prototypes were received by the Agency in May 1952, and were immediately sent to our Engineering Laboratory for evaluation. Tests performed on these sets showed that they too, met the specification with only a very few exceptions. On 22 May 1952, a memorandum was sent to Contracts from the Engineering Division accepting the prototypes and requesting that the manufacturer be so informed.

The status of the program in May 1952 is summarized as follows:

a. [redacted] had production experience in the manufacture of approximately 500 RS-6X equipments. 25X1

b. A definitive production specification, ostensibly agreeable to both the manufacturer and the Agency had been formulated.

c. The RS-6 prototypes had been approved by the Agency as basically meeting the production specification and being suitable for production.

JUNE 1952 - About this time, the Air Force became interested in the RS-6 and asked that the Agency procure 1500 units for their use. In order to fulfill this requirement, 100 RS-6X's currently in stock were shipped to the Air Force leaving 1400 units to be supplied from future production.

In view of this increased requirement and in order to give the contractor the opportunity to re-evaluate the stipulated cost per set, after both the Agency and the contractor had arrived at a specification mutually agreeable to both parties, the contractor was asked to submit to the Agency a new proposal for the production of a total of 6500 sets in lieu of the 5425 already under contract. Instead of a price increase per unit, which was more or less expected by the Agency, the proposal actually resulted in a price reduction from $487.61 to $445.04 per set FOB Chicago. This proposal was accepted by the Office of Communications and a memorandum so stating was sent to Logistics from the Assistant Director for Communications on 12 June 1952.

OCTOBER 1952 - The first 25 production models were delivered to the Agency in October 1952. By December 1952, a total of 208 units had been received. Upon inspection by the Agency, it was found that

approximately 30% of the total number of equipments received were inoperable due to major defects and had to be returned to the manufacturer, at Government expense, for reworking. In order to reduce this extremely high rejection rate, a conference was arranged in Chicago. Under the terms of the contract, final acceptance of each unit was to be made by the Naval Inspector at [redacted] plant. Since the great majority of the sets arriving in Washington that had to be rejected, exhibited defects that could not be attributable to shipping damage, it was obvious that Navy inspection was too lax. [redacted] was also complaining about the ineffectiveness of Naval inspection at this time. In order to reduce the high rejection rate as rapidly as possible, the Agency requested that [redacted] establish an Air-Test position as the final check prior to shipment, and at the same time, a conference was held between representatives of [redacted] the Agency, and the Navy Inspector's Office in Chicago. This conference resulted in the establishment of a much more effective Naval inspection. As a result of these two remedial actions, the rejection rate of equipments delivered to the Agency dropped from approximately 30% to less than 10%. However, the rate of rejection prior to or during Naval inspection at the manufacturer's plant continued to be high. In other words, the sets with major defects were being caught by the manufacturer prior to shipment and were being returned to the appropriate place in the production line for reworking.

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